

## 3 - Payment Management Processes

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### 3.0 PAYMENT MANAGEMENT PROCESSES

An effective payment management process ensures payments to vendors are done so in a timely manner ensuring good stewardship of government funds. Under the Prompt Payment Act, agencies are required to practice effective cash management practices in the payment for goods and services to ensure that invoices are paid within seven (7) days of their payment due dates and interest penalties for late payments are avoided. Agencies must also have proper controls in place for monitoring any interest penalties paid and implementing corrective actions where necessary.

In addition to the Prompt Payment Act, Chapter 52.232-25—*Prompt Payment* of the Federal Acquisition Regulation (FAR) establishes the contractual requirement between Federal agencies and vendors for prompt payment of invoices, including the notification process for invoice defects. Late payment interest is calculated based on the rate established by the Secretary of the Treasury and published semi-annually via the *Federal Register*.

All vendors, including sole proprietors, corporations, partnership, and governmental organizations, are required to register in the Central Contractor Registration (CCR), which is the primary registrant database for the Federal government. Through validation of registrant information, CCR shares the data with agencies' finance office and facilitates the electronic funds transfer (EFT) process.

Included in this chapter are key steps in the processes from requisition to payment for commercial contracts and small acquisitions disbursed by Treasury. Although this chapter focuses on payment requests that are the result of vendor invoices, it must be noted that there are several other payment request types including, but not limited to, grants, employee reimbursements, employee awards and payroll. The flowcharts and process steps for the Payment Management processes detailed in this chapter are:

- PM 3.1 – Receipt and Acceptance of Goods. This section describes the procedures necessary for the inspection, receipt, acceptance and return of goods.
- PM 3.2 – Receipt and Acceptance of Services. This section describes the process for the receipt and acceptance of services.
- PM 3.3 – Accounts Payable and Invoicing Processes
  - PM 3.3.1 Invoice Entry. This section describes the process for entering an invoice into the Core Financial System and matching the required supporting documentation. Also included are related accounting entries and the steps to ensure proper approval and verification of an invoice.

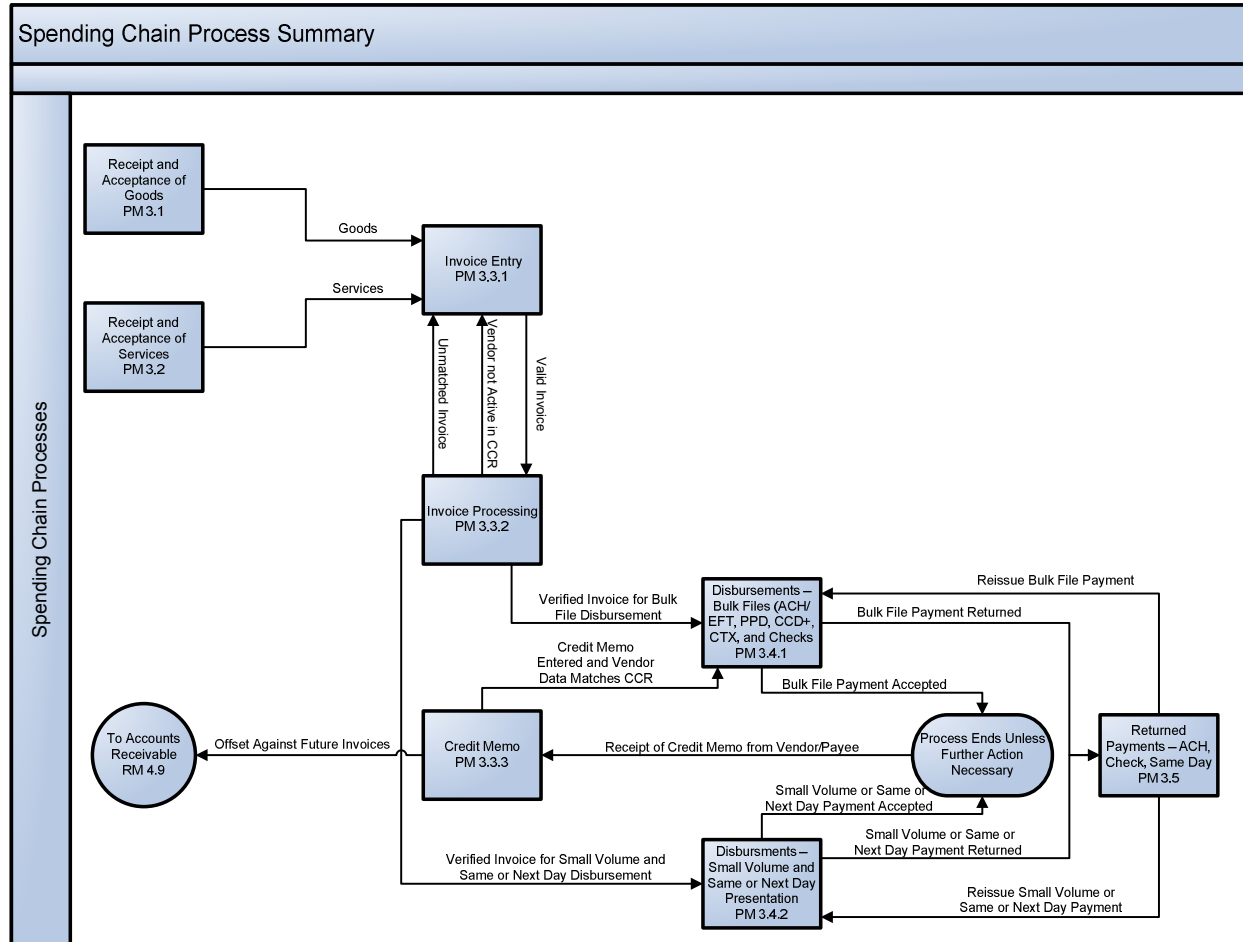
- PM 3.3.2 Invoice Processing. This section describes the steps associated with processing an invoice in the Core Financial System. Also included are related accounting entries and the steps to ensure proper approval and verification of an invoice.
- PM 3.3.3 Credit Memo. This section describes the steps associated with processing a credit memorandum. Credit memos are warehoused and offset against outstanding invoices. The payment is processed when the amount of the invoice or invoices exceed the credit memo balance.
- PM 3.4 – Disbursements
  - PM 3.4.1 Disbursements for Bulk Files (ACH/EFT, CCD, CCD+, CTX, and Checks). This section depicts the actions performed from the warehousing of a bulk file through payment to a payee. Key steps include submitting the bulk file to Treasury, certification of payments to be disbursed, and disbursements.
  - PM 3.4.2 Disbursements for Small Volume and Same or Next Day Payments. This section depicts the actions performed for payments which must be expedited. Key steps include submitting the file to treasury, certification of payments to be disbursed, and disbursements.
- PM 3.5 – Returned Payments – ACH, Check, Same Day. This section provides the key steps for the cancellation and return of payments from Treasury to the agency. The payment instruments include checks, ACH, CTX, CCD, CCD+, and Fedwires.
- PM 3.6 – Data Objects and Data Elements. This section is currently under development with Treasury FMS.

Excluded from the scope of this chapter are the following:

- Payment management processes for payments not disbursed by Treasury
- Acquisition processes
- Processes for maintenance of the Central Contractor Registry
- Intragovernmental Payment and Collection (IPAC) transactions
- Reimbursable activity
- Imprest Funds
- Travel
- Payroll
- Employee awards
- Credit card payments
- Grants
- Loans
- Cooperative agreements
- Canceled funds
- Foreign currency

- Internal offsets between Accounts Payable and Accounts Receivable.

The following flowchart depicts the sequence and inter-relationship of the Spending Chain Processes:

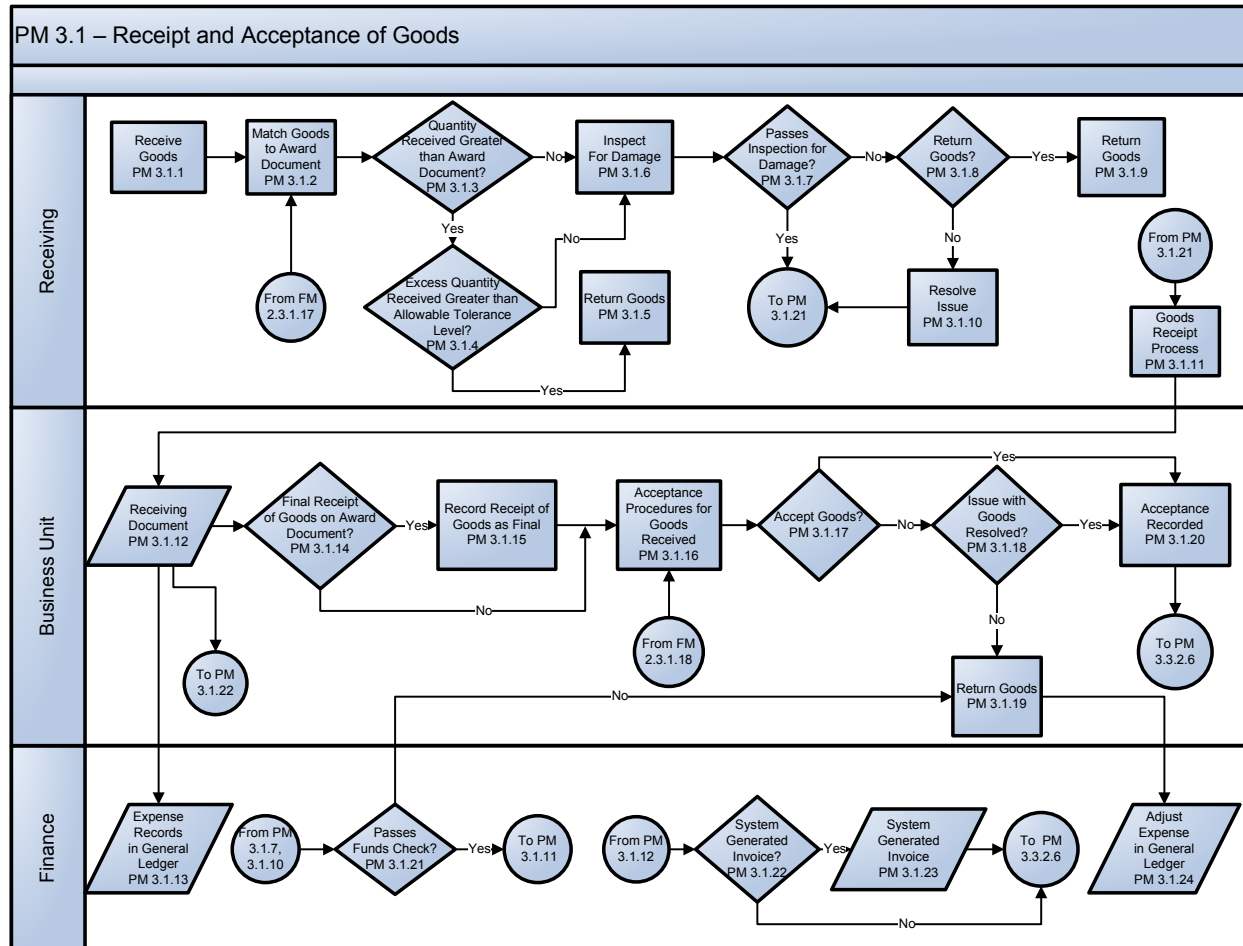


See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

## 3.1 RECEIPT AND ACCEPTANCE OF GOODS

Receipt and Acceptance of Goods refers to the process of receiving physical goods, performing an inspection, and either accepting or rejecting the delivery based on damage, quantity, or other criteria as defined by the contract. Depending on the nature of the goods received and the functional organization of an agency, the “Receiving” swim lane in the flowchart refers to a variety of locations in an agency rather than a specific office or area within an agency.

### ***PM 3.1 – Receipt and Acceptance of Goods Flowchart***



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Receipt and Acceptance of Goods process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.1.1	Receive Goods	Physical goods are received at a designated receiving area.	Goods should be delivered according to delivery information on the award document. Agency procedures should call for rejecting delivery of goods received at locations other than the appropriate receiving site, which may be a receiving dock or at the business unit.	PMB-01 PMB-04
PM 3.1.2	Match Goods to Award Document	When goods are received, Receiving personnel compare the items to the award document. Any discrepancies are noted electronically.	Access to the Receiving system and receiving transactions in the Core Financial System must be restricted to authorized personnel.  Goods must be recorded in the agency's asset management system as applicable.	
PM 3.1.3	Quantity Received Greater than Award Document?	If the quantity received exceeds the quantity ordered, the excess is compared to an allowable tolerance level (see step PM 3.1.4). This comparison may be performed electronically.  If the quantity received is equal to or less than the quantity ordered the goods are inspected for damage (see step PM 3.1.6).		
PM 3.1.4	Quantity Received Greater than Allowable Tolerance Level?	If the quantity received exceeds the quantity ordered, the excess is compared to an allowable tolerance level. This comparison may be performed electronically.  If the quantity received is within the allowable tolerance level, it is determined if this is the final receipt of goods on the	Agencies can set tolerance levels as allowed under applicable rules, regulations, and agency guidelines (FAR Volume 1, Part 11, Subpart 11.7, agency policies and procedures).	SMB-19 SMB-20

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		award document.		
PM 3.1.5	Return Goods	All or a portion of the goods are returned to the originator as applicable under the terms of the contract.	The return of items must be recorded in the applicable system.	
PM 3.1.6	Inspect for Damage	Goods are inspected for damage once the goods are received and matched to the award document.	Goods should be inspected for damage at the time of delivery by applicable Receiving personnel.	
PM 3.1.7	Passes Inspection for Damage?	Confirm goods are free of visible damage and note that the goods pass inspection. Damaged goods are noted electronically.	Receiving personnel assess visible damage to goods in accordance with applicable rules and regulations and agency guidelines (e.g., FAR, agency policy and procedures).	
PM 3.1.8	Return Goods?	If the goods are determined to be damaged and repair or replacement of parts is not appropriate, all or a portion of the goods should be returned.  Any discrepancies are noted electronically.	The return of goods must be within the contract terms.  In accordance with the contract terms, replacement components or parts may be obtained from the vendor to correct the issue.	
PM 3.1.9	Return Goods	Goods are returned if the quantity is in excess of the allowable tolerance level.  Any discrepancies are noted electronically.	A modification to the applicable acquisition instrument is required to increase the obligation of funds for quantities of goods exceeding tolerance levels. Such modification must occur prior to performing receipt and acceptance of the goods. Otherwise, the goods are returned.	
PM 3.1.10	Resolve Issue	Inspection issues with the goods must be resolved, as applicable, if goods are not to be returned.		
PM 3.1.11	Goods Receipt Process	Goods are processed for receipt.	Policies and procedures must comply with FAR where applicable. The receipt of goods must be performed within the contract terms.	
PM 3.1.12	Receiving Document	Receiving personnel enter receiving data to the applicable system to create a receiving document. The system accesses and	The receiving document becomes available to the Business Unit. The applicable system electronically notifies the requisitioner in the Business Unit that goods have been	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		populates applicable fields of the receiving document with information from the award document.	<p>received.</p> <p>The receiving document becomes available to the Core Financial System to be matched with the invoice and award document information.</p> <p>Notice of receipt is sent to the agency's Acquisition system.</p> <p>A proprietary expense and budgetary expenditure for delivered goods is recorded in the General Ledger. Applicable obligations, advances, or pre-paid expense balances are liquidated.</p>	
PM 3.1.13	Expense Records in General Ledger	A proprietary expense, a budgetary expenditure for received goods, and liquidation of the associated obligation is recorded in the General Ledger. Applicable advances or pre-paid expense balances are liquidated.	<p>The entries are recorded in the General Ledger using the USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-B402 To record the delivery of goods or services and accrue a liability.</p> <p>TFM-B404 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year expended authority is less than the original obligation.</p> <p>TFM-B406 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year expended authority is more than the original obligation.</p> <p>TFM-B410 To record the delivery</p>	PMB-02

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			of goods or services for construction.	
PM 3.1.14	Final Receipt of Goods on Award Document?	Determine if this is the final receipt of goods for this award document. Confirm that the receipt satisfies the quantity on the award document.	Personnel designated to perform acceptance procedures for receipt of goods indicate in the Core Financial System whether this is the final receipt of goods for the award document.	
PM 3.1.15	Record Receipt of Goods as Final	If the receipt of goods represents the final outstanding obligation on the award document, it is recorded as the final receipt of goods.	Appropriate procedures should be performed to reconcile the award document to documentation of goods received.	
PM 3.1.16	Acceptance Procedures for Goods Received	The Business Unit or personnel with authority to approve acceptance of goods inspects the goods. This person reviews the electronic receiving document and is responsible for validating that goods are in compliance with contractual requirements.	<p>Depending on contractual terms and FAR guidelines, “constructive receipt” may apply to certain goods. In these cases, acceptance procedures may not be required as the services are considered “accepted” after an applicable amount of time.</p> <p>The receipt and acceptance of goods must be done within the contract terms.</p> <p>Acceptance is electronically routed to Finance to be matched with the invoice and award document.</p>	PMB-05
PM 3.1.17	Accept Goods?	If the certifier accepts all or a portion of the goods received, the applicable quantities of line items from the award document are accepted. The electronic documentation of acceptance is available to the Finance area.	<p>If a required invoice has yet to be received in Finance, certification of receipt and acceptance of goods is stored in the system pending receipt of the invoice.</p> <p>Acceptance issues must be resolved, as applicable.</p>	
PM 3.1.18	Issue with Goods Resolved?	If the issue with the goods is resolved and the goods are accepted, acceptance is recorded. If the goods are not accepted, the goods should be returned.	In accordance with rules, regulations and agency guidelines (e.g., agency policies and procedures, FAR), designated officials review applicable issues related to goods and determine steps	



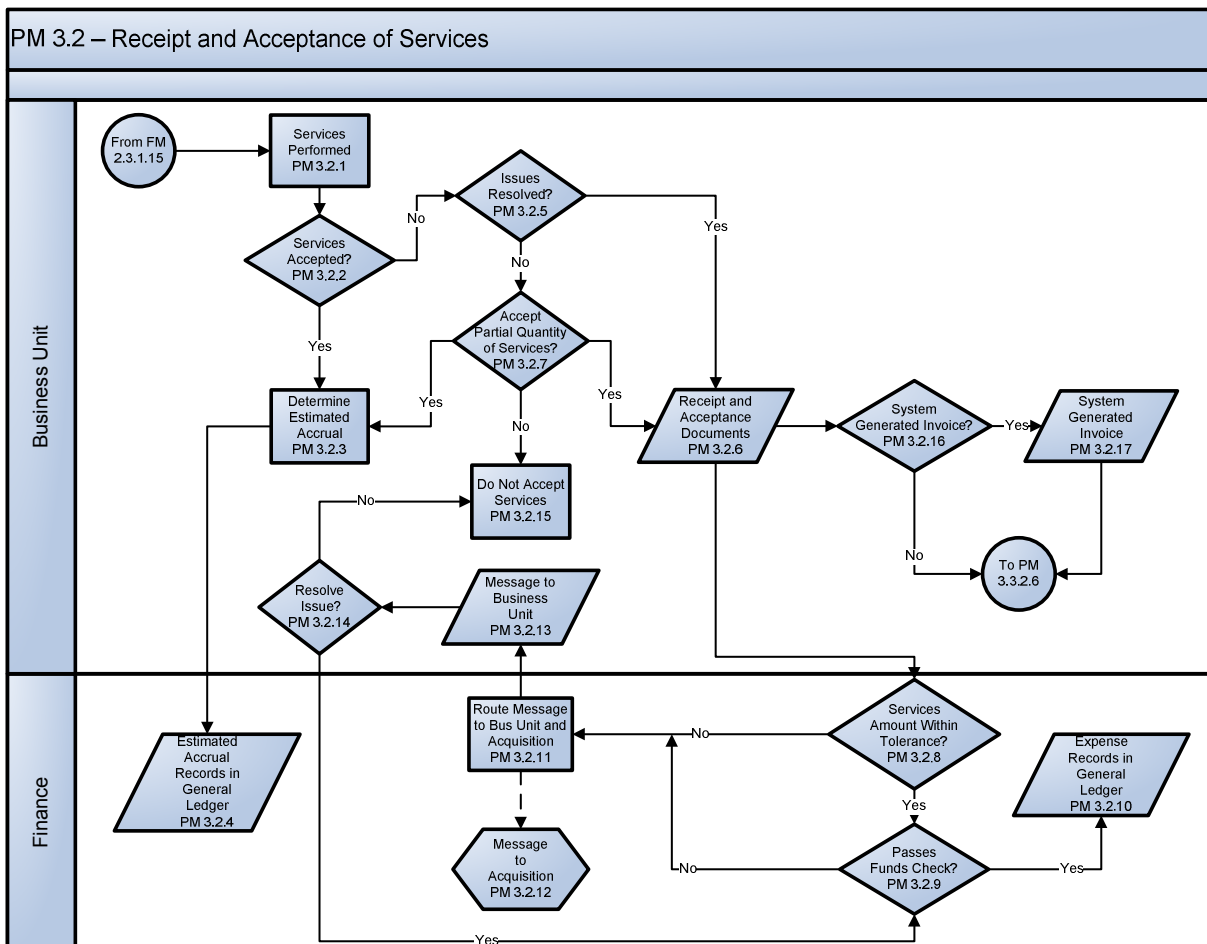
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>to be taken to resolve these issues.</p> <p>Issue resolution must be made in accordance with prompt payment requirements, as applicable, and contract terms.</p> <p>If the personnel with authority for performing acceptance determine goods are to be rejected and returned, he/she electronically records the items being rejected and the expenses recorded at the time of receipt of goods are adjusted accordingly.</p>	
PM 3.1.19	Return Goods	Return goods to the appropriate originator.	Return of goods must be appropriately recorded in the agency asset management system.	
PM 3.1.20	Acceptance Recorded	Personnel document acceptance for goods that have been received.	<p>Appropriate personnel should be authorized for documenting acceptance of goods.</p> <p>Expenses are reviewed periodically by responsible personnel in the Finance area. Appropriate personnel should follow up on items for which receipt and/or acceptance are missing.</p>	
PM 3.1.21	Passes Funds Check?	<p>The amount that a receiving document exceeds an obligation is subjected to an edit check to determine whether sufficient funds are available for the additional funding of the overage amount within the tolerance.</p> <p>If funds are available, the expense records in the General Ledger. If funds are not available, notification is sent to the Business Unit and Acquisition to resolve the issue.</p>	The Core Financial System must ensure sufficient applicable funding is available prior to allowing an expense to be recorded in the General Ledger.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.1.22	System Generated Invoice?	An invoice is generated within the Core Financial System for applicable transactions for which an invoice is not required.	<p>Award documents should indicate whether a vendor invoice is required for payment. (The vendor invoice may be required by Finance prior to payment but is not required as part of the Receiving process. Rather, it may be made available to applicable personnel in the Business Unit for informational purposes.)</p> <p>In the event a vendor invoice is not required, the Core Financial System should generate an internal invoice document based on vendor, obligating, receiving, and acceptance information.</p>	
PM 3.1.23	System Generated Invoice	A system-generated invoice is the result of step PM 3.1.22.		
PM 3.1.24	Adjust Expense in General Ledger	For goods being rejected, expenses recorded at the time of receipt of goods are adjusted accordingly by entering the item return into the system (negative goods receipt).	Based on the specific financial event, the expense is adjusted in accordance with the current TFM.	

## 3.2 RECEIPT AND ACCEPTANCE OF SERVICES

Receipt and Acceptance of Services refers to the process of receiving services, determining whether the services received met the contractual obligation, and accepting or rejecting the services based on quality, quantity, or other criteria as defined by the contract. The following flowchart depicts the steps for the Payment Management process for the receipt and acceptance of services. Steps include receipt and acceptance of services and related actions in the Business Unit and Finance functional areas.

### *PM 3.2 – Receipt and Acceptance of Services Flowchart*



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Receipt and Acceptance of Services process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.2.1	Services Performed	Services are performed on behalf of the applicable Business Unit.	<p>Authorized officials in the Business Unit and/or Acquisition monitor services for compliance with contractual terms.</p> <p>Receipt of services should be documented in the Core Financial System by the time the invoice for the services is received.</p>	
PM 3.2.5	Services Accepted?	Authorized officials in the Business Unit access an electronic award document and vendor invoice for services provided. The authorized official in the Business Unit is electronically notified by Finance of the receipt of an invoice for services.	<p>Depending on contractual terms and FAR guidelines, “constructive receipt” may apply to certain services. In these cases, acceptance procedures may not be required as the services are considered “accepted” after an applicable amount of time.</p> <p>The receipt and acceptance of services must be performed within the contract terms.</p>	
PM 3.2.3	Determine Estimated Accrual	An estimated accrual is determined using the agency’s guidelines.	The agency’s guidelines for estimating accruals must be reassessed on a regular basis.	
PM 3.2.4	Estimated Accrual Records in General Ledger	Based on services performed, an estimated accrual of expenses for the delivered services is recorded in the General Ledger.	<p>The entries are recorded using the USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-B402 To record the delivery of goods or services and accrue a liability.</p> <p>TFM-B404 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>expended authority is less than the original obligation.</p> <p>TFM-B406 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year expended authority is more than the original obligation.</p> <p>TFM-B410 To record the delivery of goods or services for construction.</p> <p>Accruals should be reversed as appropriate each reporting period.</p>	
PM 3.2.5	Issues Resolved?	<p>Appropriate messages are routed to Business Unit, Acquisition, and Finance personnel and appropriate actions are taken to resolve any issue(s). If appropriate actions are taken and appropriate personnel determine that issues are resolved, the services are accepted.</p> <p>The authorized official may decline to accept services due to concerns that contractual criteria have not been met.</p>	Issues must be evaluated and resolved in accordance with applicable laws and regulations, rules, and agency guidelines (e.g., FAR, agency policies and procedures), including the Prompt Payment Act.	
PM 3.2.6	Receipt and Acceptance Documents	Based on appropriate monitoring of vendor performance, the authorizing official electronically performs receipt and acceptance of services.		PMB-01 PMB- 05
PM 3.2.7	Accept Partial Quantity of Services?	If the full amount of services are not accepted and issues are not resolved, the agency determines whether to accept a partial quantity of the services.	<p>Partial receipt of services are possible for certain types of services and can be governed by the "Service Level Agreement" (SLA) for acceptance of services.</p> <p>Partial receipt and acceptance of</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		If there is partial acceptance, the receipt and acceptance documents for the portion of services accepted are processed.	<p>services may result from variances from contractual terms (e.g., rate discrepancy, contracted quantity of services (e.g., hours) received, quality of content and performance).</p> <p>If an invoice or other applicable documentation per the contract is received from the vendor but the agency does not accept the services because of unresolved issues, the invoice should be rejected within the specified number of days based on Prompt Pay type.</p>	
PM 3.2.8	Services Amount Within Tolerance?	If the quantity of hours or hourly rate of services received exceeds the quantity or rate ordered, the excess is compared to an allowable tolerance level. If the quantity received is within the allowable tolerance level and the monetary value of any applicable line item of the bill exceeds the obligation but is within tolerance, it is subjected to a "Funds Check".	Agencies set tolerance levels in accordance with applicable rules, regulations, and agency guidelines (e.g., FAR, agency policies and procedures).	SMB-19 SMB-20
PM 3.2.9	Passes Funds Check?	<p>The amount by which services received exceed an obligation is subjected to an edit check to determine whether sufficient funds are available for the additional funding.</p> <p>If funds are available, the expense is recorded in the General Ledger. If funds are not available, notification is sent to the Business Unit and Acquisition, as applicable, to resolve the issue.</p>	The Core Financial System must ensure sufficient applicable funding is available prior to allowing an expense to record in the General Ledger.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.2.10	Expense Records in General Ledger	Based on receipt of the services, a proprietary expense and budgetary expenditure for the delivered services is recorded in the General Ledger.	<p>The entries are recorded using the USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction codes from the current TFM:</p> <p>TFM-B402 To record the delivery of goods or services and accrue a liability.</p> <p>TFM-B404 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year expended authority is less than the original obligation.</p> <p>TFM-B406 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year expended authority is more than the original obligation.</p> <p>TFM-B410 To record the delivery of goods or services for construction.</p>	
PM 3.2.11	Route Message to Business Unit and Acquisition	If either the quantity of services received exceeds the allowable tolerance level or the funds check fails, a message is routed to the appropriate personnel in the Business Unit and Acquisition to resolve the issue(s).	The message should be initiated electronically once a transaction fails the tolerance or funds checks.	
PM 3.2.12	Message to Acquisition	An applicable message is routed to Acquisition with the tolerance and/or funding issue(s).		
PM 3.2.13	Message to	An applicable message is		

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
	Business Unit	routed to the Business Unit with the tolerance and/or funding issue(s).		
PM 3.2.14	Resolve Issue?	<p>The Business Unit and/or Acquisition will resolve the tolerance and/or funding issue(s).</p> <p>If the issue is resolved, the amount of services received is subject to a funds check.</p>	Issues must be evaluated and resolved within the guidelines and requirements of applicable laws and regulations, including the Prompt Payment Act and FAR.	
PM 3.2.15	Do Not Accept Services	<p>The certifier of acceptance electronically records the service items being rejected.</p> <p>The associated invoice will be returned to the vendor/payee. A new invoice may be requested if applicable.</p>	If services are to be rejected, it must be done in accordance with applicable award documents, the FAR, and agency guidelines.	
PM 3.2.16	System-Generated Invoice?	An invoice is generated within the Core Financial System for applicable transactions for which an invoice is not required.	<p>Award documents should indicate whether a vendor invoice is required for payment. (The vendor invoice may be required by Finance prior to payment but is not required as part of the Receiving process. Rather, it may be made available to applicable personnel in the Business Unit for informational purposes.)</p> <p>In the event a vendor invoice is not required, the Core Financial System should generate an internal invoice document based on vendor and associated obligating, receiving, and acceptance information.</p> <p>Acceptance is electronically routed to Finance to be matched with the invoice and award document.</p>	
PM 3.2.17	System-Generated	A system-generated invoice is generated within the Core	Acceptance is electronically routed to Finance to be matched	



Step ID	Step Name	Step Description	Business Rules	CFSR Req.
	Invoice	Financial System.	with the invoice and award document.	

## **3.3 ACCOUNTS PAYABLE AND INVOICING PROCESSES**

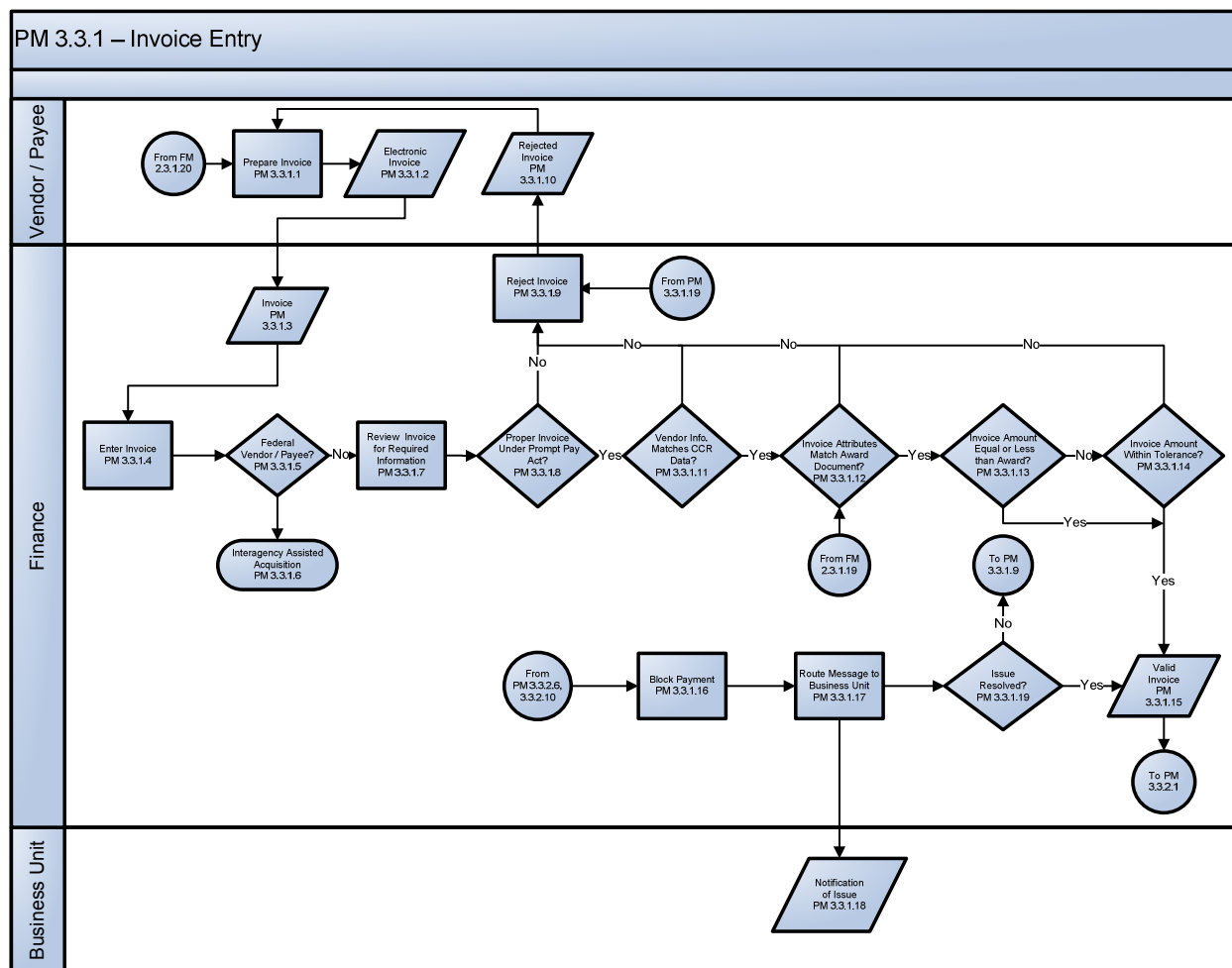
The Accounts Payable and Invoicing processes described in the sections 3.3.1, 3.3.2, and 3.3.3 refer to the procedures necessary to enter an invoice into the Core Financial System, match supporting documentation with an award document, and process a credit memo received from a vendor/payee. Further, related accounting entries and the steps to ensure proper approval and verification of an invoice are contained within this section.

### **3.3.1 INVOICE ENTRY**

Invoice Entry refers to the process of receiving invoices from vendors, verifying and validating invoice information, and approving or rejecting the invoices for payment. This section is based on the assumption that under best business practices, invoices should be submitted and processed electronically. Agencies should implement procedures to automate the invoice submission process. This chapter addresses one type of payment requests, invoices. Other types of payment request which are used to authorize disbursements include, but are not limited to, grants, employee reimbursements, employee awards and payroll.

In cases where an agency must continue to accept paper invoices, electronic tools can be used to improve the efficiency of invoice processing. Examples include digital imaging and Optical Character Recognition (OCR).

## PM 3.3.1 - Invoice Entry Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Accounts Payable and Invoice Entry and Processing steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.3.1.1	Prepare Invoice	The vendor/payee prepares and submits to the agency an invoice for goods and/or services.	Agencies must communicate to vendor/payees that invoices must be prepared in accordance with prescribed data and format requirements.	
PM 3.3.1.2	Electronic Invoice	Under best business practices, invoices are submitted electronically.	The Core Financial System must provide automated functionality for capturing invoice data.	PMC-01 PMC-02 PMC-03
PM 3.3.1.3	Invoice	Invoices are received in Finance (should be via electronic transmission).  In the case of paper invoices, invoices are forwarded to appropriate Finance or other applicable personnel.	Paper invoices received should be imaged to enable the flow of invoice documents electronically through the accounts payable and invoicing processes.	
PM 3.3.1.4	Enter Invoice	Invoices are entered into the agency's accounts payable system creating a payment request.	The invoice date and the date the invoice was received in the proper billing office (log date) should be entered into the system in accordance with Prompt Payment Act requirements.  The payment due date and the date on which interest will begin to accrue if a payment is late must be determined in accordance with Prompt Payment Act requirements.  Under best business practices in an electronic environment, invoices are imported into the agency's accounts payable system.	
PM 3.3.1.5	Federal Vendor / Payee?	The vendor/payee is identified as either a federal or non-federal vendor/payee.	If the payee is a Federal vendor, Finance performs IPAC procedures in accordance with an approved Trading Partner Agreement and Treasury guidelines.	
PM 3.3.1.6	Interagency Assisted Acquisition	Federal vendor/payees are paid through the IPAC system	A federal agency is any executive agency or any independent establishment in the legislative or	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		Federal (intragovernmental) buy and sell transactions that are processed through IPAC will be included in a future release of the Standard Business Processes document.	judicial branch of government (except the Senate, the House of Representatives, the Architect of the Capitol, and any activities under the Architect's direction).	
PM 3.3.1.7	Review Invoice for Required Information	Edit checks are performed to evaluate whether an invoice includes information required under the Prompt Payment act.	<p>Automated system edit checks should be performed to verify that each invoice includes the required information under the Prompt Payment Act. As necessary, some edit checks may be performed manually.</p> <p>Under best business practices in an electronic environment, edit checks should include tests of validity, accuracy, and completeness of information submitted. Such edit checks (as described in subsequent steps) may be executed simultaneously. An exception report should be generated.</p>	PMA-02
PM 3.3.1.8	Proper Invoice Under Prompt Pay Act?	Based on the results of the edit checks performed in the previous step, the agency determines whether the invoice is proper under the requirements of the Prompt Pay Act.	Agency procedures must enable the return of improper invoices within the required number of days as required under the Prompt Payment Act.	
PM 3.3.1.9	Reject Invoice	If the invoice fails Prompt Pay information requirements, cannot be matched to a valid obligation, or key vendor/payee information does not match the vendor/payee file, it is rejected and returned to the vendor/payee.	<p>The agency must provide the vendor/payee a system-generated notice of return of an improper invoice.</p> <p>If the award was made to a CCR registered vendor/payee and the vendor/payee no longer has an active registration in CCR, the Prompt Pay Act requires the invoice be returned as an improper invoice.</p> <p>Vendor/payees are not required to</p>	PMC-19 PMC-21 PMC-22

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>be registered in CCR but must be active in the official agency vendor/payee file, or the invoice is rejected.</p> <p>Mark the vendor/payee invoice with the date the invoice is returned in order to stop the accrual of interest.</p> <p>The vendor/payee may be contacted as applicable, but such communication should not delay compliance with the Prompt Payment Act.</p>	
PM 3.3.1.10	Rejected Invoice	A rejected invoice is returned to the vendor/payee for correction or other appropriate action in order for the vendor/payee to prepare a proper invoice.	Vendor/payees are required to prepare invoices in accordance with the FAR and agency guidelines.	
PM 3.3.1.11	Vendor Info. Matches CCR Data?	System edit checks verify that vendor/payee information matches the vendor/payee file based on the latest vendor/payee database update.	<p>Core Financial System vendor/payee data must be regularly updated with changes to CCR data. Vendor/payee file fields must accommodate CCR data.</p> <p>The Core Financial System must prevent CCR vendor/payee data from being changed by the agency for those vendor/payees required to register in the CCR.</p>	PMA-04
PM 3.3.1.12	Invoice Attributes Match Award Document?	Finance determines that system edit checks have validated the consistency of information on the invoice with the relevant award document (i.e., order number, product description, quantity, vendor/payee name, address, and date).	<p>Automated edit checks should verify an invoice is originated by an approved vendor/payee. System edit checks verify that vendor/payee information on the invoice matches the information for the approved vendor/payee in the system. For vendor/payees not required to be registered in CCR, the invoice is validated against agency-defined criteria.</p> <p>The Core Financial System must process each vendor/payee invoice</p>	PMC-04 PMC-05 PMC-06

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			through edit criteria designed to identify duplicate vendor/payee invoices. Edit criteria and should be developed based on appropriate agency defined criteria. Criteria may include agency identifier, vendor/payee number, vendor/payee account number, vendor/payee TIN, vendor/payee invoice number, invoice date, invoice amount, referenced obligation document number, or DUNS number. An exception report must be generated and reviewed by a supervisory official.	
PM 3.3.1.13	Invoice Amount Equal or Less than Award?	The invoice amount is compared to the award document amount.	The Core Financial System must incorporate edit checks to facilitate this comparison of quantities and amounts by document lines and totals.	
PM 3.3.1.14	Invoice Amount within Tolerance?	The amount by which an invoice amount exceeds an obligation is compared to allowable tolerance levels.	<p>Agencies should determine tolerance levels for prices, quantities of items, and applicable amounts (e.g., freight) for which further approval is not required.</p> <p>An additional obligation document is not required for invoice amounts within tolerance.</p> <p>In cases where the funding need exceeds the tolerance limits, policies or business practices may allow officials with funding authority to be notified to consider obligating more funds (rather than rejecting the invoice).</p>	SMB-19 SMB-20 PMC-13
PM 3.3.1.15	Valid Invoice	Once the invoice passes the edit checks, the invoice is considered a valid invoice.	Valid invoice must be populated with applicable valid data elements.	
PM 3.3.1.16	Block Payment	If matching criteria are not met, the invoice is blocked from payment.	The Core Financial System must block from payment any invoice for which matching criteria are not met or an invoice lacks required approvals and/or verifications.	PMC-08

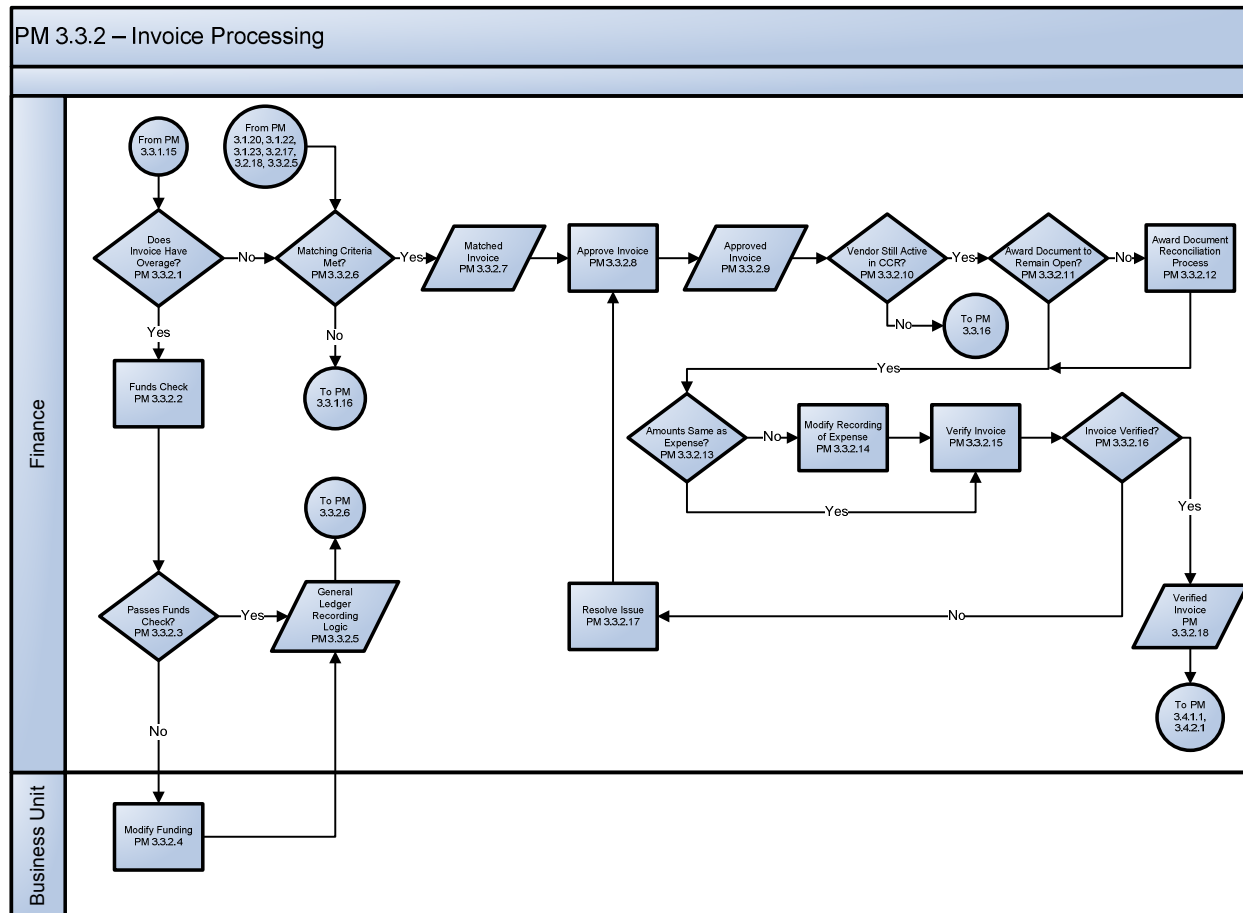
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.3.1.17	Route Message to Business Unit	Once an invoice has been received and the system lacks evidence of receipt of goods and/or acceptance, the system routes a message to the applicable Business Unit personnel of the need for required documentation. In the case of services, the invoice copy is routed to the Business Unit for review.	<p>The Core Financial System should automatically identify and route a message to applicable personnel of open requirements related to pending invoices.</p> <p>Applicable personnel take appropriate actions within Prompt Payment Act requirements.</p>	TLE-07
PM 3.3.1.18	Notification of Issue	The Business Unit is notified electronically of the need for required documentation.		
PM 3.3.1.19	Resolve Issue	Additional documentation is provided.		



## 3.3.2 INVOICE PROCESSING

Invoice Processing refers to the process of performing a funds check, determining if the proper obligation or receiving document has been established, and accepting or rejecting the invoice. The verification process also includes two-way, three-way, and four-way matches, confirmation of vendor's status in the CCR, and notification of any funds that may be deobligated.

### *PM 3.3.2 - Invoice Processing Flowchart*



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Invoice Processing process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.3.2.1	Does Invoice Have Overage?	Determine if the invoice amount is greater than the approved original funding amount while being within the allowable tolerance for overages.		
PM 3.3.2.2	Funds Check	The amount of an invoice is subjected to a check to determine whether sufficient funds are available for the payment.	The Core Financial System must ensure sufficient applicable funding is available prior to allowing an invoice to be paid.	
PM 3.3.2.3	Passes Funds Check?	The funds check process is completed.	The Core Financial System must ensure sufficient applicable funding is available prior to allowing an expense to be recorded in the General Ledger.	
PM 3.3.2.4	Modify Funding	Funding authorities identify, realign or reprogram funds as applicable to fund the full amount of the obligation (for invoice overages within the allowable tolerance for overages).	Funding authorities fund the obligation in accordance with applicable rules, regulations and agency guidelines (e.g., FAR, OMB Circular A-11, agency policies and procedures).	
PM 3.3.2.5	General Ledger Recording Logic	<p>The system performs a series of logical steps before recording the appropriate entries to the General Ledger.</p> <p>The system performs edits on the entries to determine the accounting classification elements are valid, the accounting period is open, the fund is open, CCR edits are passed, etc.</p> <p>After the entries pass validation edits and funds checks, the applicable entries are recorded.</p>	<p>In cases where the award document is closed out, entries to deobligate any remaining obligations are recorded.</p> <p>Where the expense is modified, the appropriate expense adjustment for the overage on the invoice is recorded.</p> <p>The entries are recorded using USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction codes from the current TFM:</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>TFM-B402 To record the delivery of goods or services and accrue a liability.</p> <p>TFM-B404 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year expended authority is less than the original obligation.</p> <p>TFM-B406 To record the delivery of goods and services in the same year the order was placed and accrue a liability. The current-year expended authority is more than the original obligation.</p>	
PM 3.3.2.6	Matching Criteria Met?	The invoice must be matched to required documentation for the applicable acquisition.	<p>Finance must match invoices to appropriate obligations, receiving reports, and acceptance information by document line item and quantity.</p> <p>The Core Financial System must process invoices for payment of partial quantities received.</p>	PMC-08 PMC-09
PM 3.3.2.7	Matched Invoice	Applicable document information is compared and matched depending on the applicable criteria for a two-way, three-way, or four-way matching process.	<p>The agency must define and implement criteria for types of invoices for which two-way (obligation and invoice), three way (invoice, obligation, simultaneous receipt and acceptance) or four-way matching (invoice, obligation, receipt, and acceptance) is required. The applicable matching criteria should be determined prior to placing an order.</p> <p>Agencies should establish criteria and procedures under which a payment not requiring an invoice can be made. Such a payment would be based on a contract schedule or other such agreed upon payment schedule.</p>	PMC-08 PMC-10 PMC-11

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>Agency policies and procedures and system edits should require a receiving report for pre-defined types of goods (e.g., machinery, equipment). Such goods can be identified systematically based on applicable data fields within the accounting classification elements used for the transaction (e.g., object class).</p> <p>Expenses should be reviewed periodically by a supervisor or other applicable personnel in the Finance area. An exception report is generated for items for which acceptance is missing. Finance personnel follow up on the items with Business Unit personnel.</p>	
PM 3.3.2.8	Approve Invoice	Finance reviews and approves the invoices in the Core Financial System. Finance may rely on the Core Financial System to perform the matching function. Invoices may be approved electronically if automated edit checks serve to verify that required criteria have been met.	<p>Finance personnel review electronic evidence of the existence and matching of the award document or contract, invoice, documents of receipt and acceptance, as applicable, to determine that the goods or services billed were in fact ordered and received prior to approving the invoice.</p> <p>Automated edit checks are completed without exception prior to electronic approval of the electronically matched invoice.</p> <p>A well-designed automated payment system will include evidence to verify that the system is designed and operating properly. Such evidence is used by an approver to verify the system is designed and operating properly.</p>	<p>TLE-01 TLE-02 TLE-03 TLE-04 TLE-05 TLE-06 TLE-07 TLE-08</p>
PM 3.3.2.9	Approved Invoice	Once the vendor/payee is verified as “active” in CCR and previous steps have been successfully		

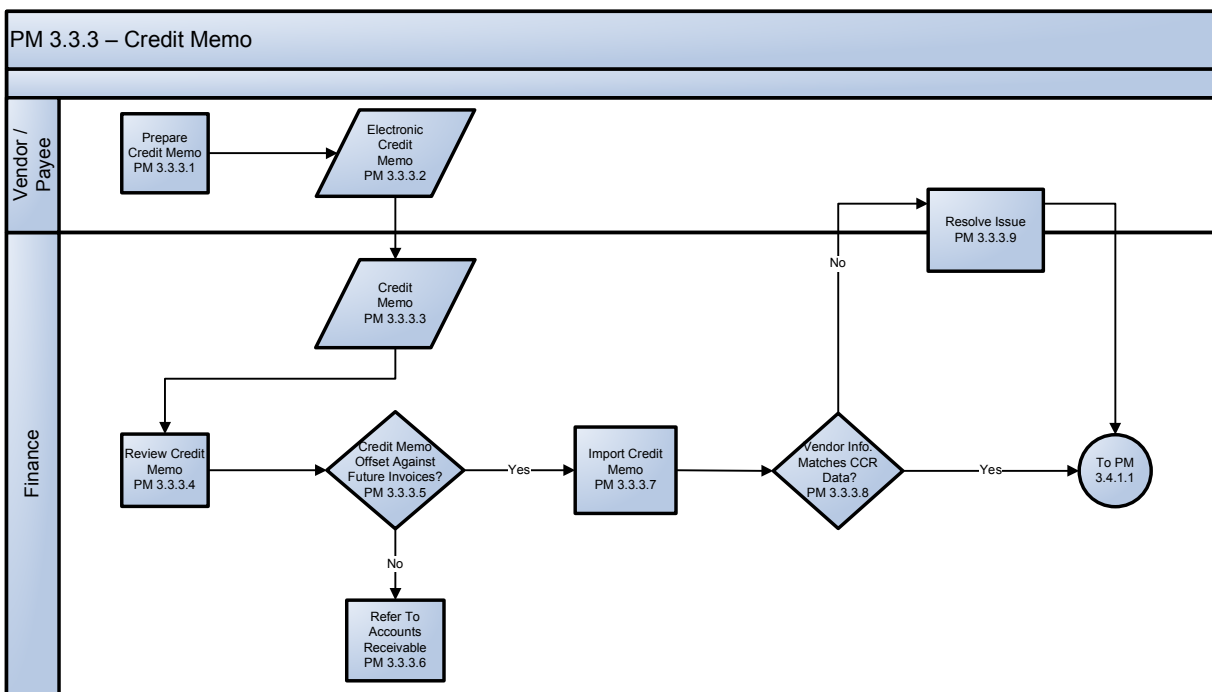
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		accomplished, the invoice is considered approved.		
PM 3.3.2.10	Vendor Still Active in CCR?	The agency verifies that the vendor/payee is still active in CCR prior to payment.	System edit checks verify that the vendor/payee is active in CCR prior to payment.	PMC-07
PM 3.3.2.11	Award Document to Remain Open?	If the invoice fulfills remaining line items on the award document, the quantities and amounts remaining on the obligating document are closed to prevent further payment activity.	The Core Financial System must record an applicable invoice as the “final” invoice against a referenced obligation.  Acquisition is notified when final payment has occurred on an obligation to facilitate the update of acquisition documents.	PMC-09
PM 3.3.2.12	Award Document Reconciliation Process	Documentation of contract performance is reconciled to supporting documentation prior to closeout.	A message should be routed to Acquisition/requisitioner, as applicable, to review remaining undelivered orders for possible deobligation.	
PM 3.3.2.13	Amounts Same as Expense?	In the case of goods and/or services received, the system checks whether the amount of the invoice is the same as the amount expensed at the time of receipt of goods and/or services.	The Core Financial System must check for differences between recorded expenses and approved invoice amounts.	
PM 3.3.2.14	Modify Recording of Expense	The Core Financial System determines the amount by which the recorded expense must be modified to equal the amount of the approved invoice.	The recorded expense should be modified consistent with the additional shipping and other charges that were previously authorized.	
PM 3.3.2.15	Verify Invoice	Finance personnel will perform a second level review and approval of invoices meeting agency-defined criteria (e.g., invoice dollar amount greater than threshold).	Based on agency internal control procedures, selected invoices could be subjected to an additional review and approval based on agency established controls and criteria (e.g., invoices greater than specified threshold amounts, applicable invoice types).	
PM 3.3.2.16	Invoice Verified?	The agency determines whether invoices subjected to additional review pass or		

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		fail such review.		
PM 3.3.2.17	Resolve Issue	Issues noted during the “Verify Invoice” step must be resolved prior to approval of an invoice. Appropriate notifications to personnel are made and actions taken to resolve the issue.	The Core Financial System should enable routing of the invoice issue to authorized personnel.	
PM 3.3.2.18	Verified Invoice	An authorized approver reviews all documents for completeness and accuracy. The output is a verified invoice that includes all documents reviewed by the authorized approver. Upon approval, the invoice is warehoused for payment.	Documentation of the invoice, award document, receipt, evidence of inspection (physical goods), and acceptance are required for an invoice to be valid for payment.	TLE-03 TLE-06 TLE-07 TLE-08

## 3.3.3 CREDIT MEMO

Credit Memos are issued by vendors in the event that previously accepted goods are returned by an agency and are either offset by the invoice or forwarded to the accounts receivable functional area for collections. Integration of accounts payable and accounts receivable is excluded from this chapter; however, where the process is performed the process flow indicates that the credit memo is forwarded to accounts receivable. In the event that the amount of the invoice exceeds that of the credit memo, payment is made for the difference. The steps contained in PM 3.3.3 outline the procedures for managing the credit memo process.

### PM 3.3.3 – Credit Memo Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Credit Memo process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.3.3.1	Prepare Credit Memo	The vendor/payee prepares and submits to the agency a credit memo to settle a claim.	Agencies must communicate to vendor/payees that credit memos must be prepared by the vendor/payees in accordance with the agency's prescribed data and format requirements.  Credit memos are warehoused and offset against outstanding invoices. Payment is processed when the amount of the invoice exceeds the credit memo balance.	
PM 3.3.3.2	Electronic Credit Memo	Under best business practices, credit memos are submitted electronically.	The Core Financial System must provide automated functionality for capturing credit memo data.	PMD-50 PMD-51 PMD-52 PMD-53 PMD-54
PM 3.3.3.3	Credit Memo	Credit Memos are received in Finance (should be via electronic transmission).  In the case of paper credit memos, they are forwarded to appropriate Finance or other applicable personnel.	Paper credit memos received should be imaged to enable the flow of invoice documents electronically through the accounts payable and invoicing processes.	
PM 3.3.3.4	Review Credit Memo	Finance personnel should review credit memos to determine appropriate disposition.	Finance personnel should review the credit memo to determine the likelihood that the agency will have future business with the vendor/payee.	
PM 3.3.3.5	Credit Memo Offset Against Future Invoice?	Finance personnel must determine if the credit memo should be input and warehoused with invoices for agency offset.	Finance personnel must determine if the credit memo will be offset against a future invoice or processed as if a receivable should be established.	
PM 3.3.3.6	Refer to Accounts Receivable	Credit memo is referred to accounts receivable personnel for setup and collection.		
PM 3.3.3.7	Import Credit	Credit memo is imported into the agency's accounts	Under best practices, data is imported.	



Step ID	Step Name	Step Description	Business Rules	CFSR Req.
	Memo	payable system.		
PM 3.3.3.8	Vendor Info. Matches CCR Data?	System edit checks verify that vendor/payee information matches the vendor/payee file based on the latest vendor/payee database update.	<p>Core Financial System vendor/payee data must be regularly updated with changes to CCR data. Vendor/payee file fields must accommodate CCR data.</p> <p>The Core Financial System must prevent CCR vendor/payee data from being changed by the agency for those vendor/payees required to register in the CCR.</p>	PMA-04
PM 3.3.3.9	Resolve Issue	Vendor must make appropriate changes to CCR data or credit memo.		

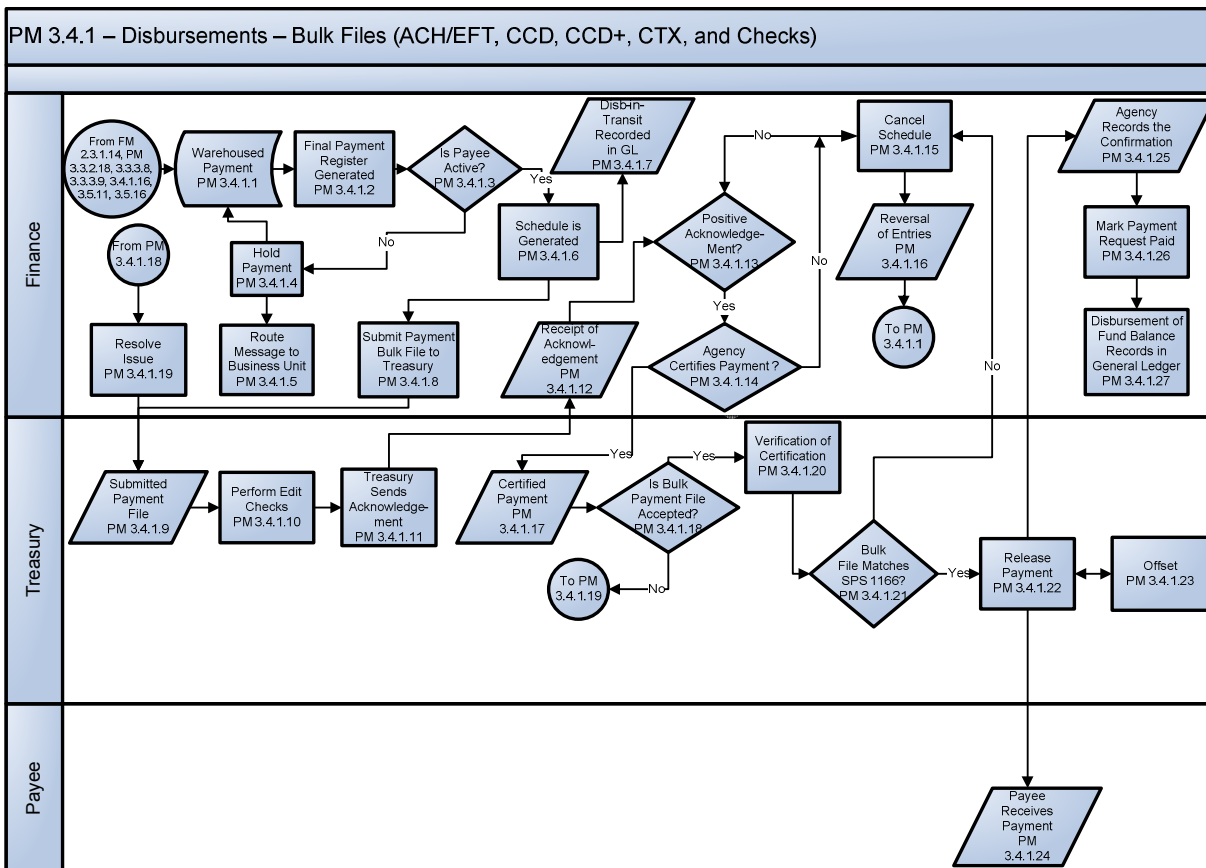
## **3.4 DISBURSEMENTS**

The Disbursement processes described in Sections 3.4.1 and 3.4.2 refer to the actual payment processes performed by the Department of the Treasury. Depending on Prompt Payment Act or other agency-specific requirements, payments may be submitted to the Treasury as either bulk files or smaller files for overnight or next day payment.

### **3.4.1 DISBURSEMENTS FOR BULK FILES (ACH/EFT, CCD, CCD+, CTX, AND CHECKS)**

Bulk File payment types may be submitted via ACH/EFT (Automated Clearing House/Electronic Funds Transfer), Cash Concentration Disbursement (CCD), Cash Concentration Disbursement Plus Addendum (CCD+), Corporate Trade Exchange (CTX) and checks. Key steps include submitting a bulk file to Treasury, certification of payments to be disbursed, and disbursement. The following flowchart includes the steps for the disbursement of bulk files within the payment function. These steps depict the actions performed from the point at which a Bulk File payment is warehoused through payment to a payee.

## PM 3.4.1 Bulk Files (ACH/EFT, CCD, CCD+, CTX and Checks) Flowchart



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Disbursement – Bulk Files (ACH/EFT, CCD, CCD+, CTX, and Checks) process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.4.1.1	Warehoused Payment	Upon certification of payment requests, the payment is warehoused awaiting scheduled payment in accordance with contract terms. These payments are queued based on due date for compliance with the Prompt Payment Act. A Preliminary Payment Register and Batch Report are run, and the data is reviewed by the Certifying Officer to ensure the information is accurate and complete.	<p>As stated in Treasury FMS Supplement to the TFM, Volume I, Part 4-1000, a well- designed automated payment system will include evidence to verify that the system is designed and operating properly. Such evidence is used by an authorized Certifying Officer to verify the system is designed and operating properly.</p> <p>Personnel with funding authority must review the accounting classification elements, including the TAS-BETC, during payment request entry and processing.</p> <p>The agency Certifying Officer compares the control totals in the Core Financial System that were used to generate the payment schedules with the control totals that will be certified in the Secure Payment System (SPS) for the same schedules.</p>	PMC-16 PMD-01 PMD-17 PMD-13
PM 3.4.1.2	Final Payment Register Generated	<p>The Certifying Officer reviews the payment batch and generates a Final Payment Register report.</p> <p>The payment clock of the system tracks a scheduled payment, including discount, prompt payment interest (calculated within the Core Financial System) and contract holdbacks (retainage)</p>	The agency shall comply with the Prompt Payment Act and agencies must follow the applicable SPS user guide and current TFM guidance.	PMD-12

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		according to the projected payment date.		
PM 3.4.1.3	Is Payee Active?	<p>If the payee is active in the CCR system, a payment schedule is generated. If the payee is inactive, the payment is put on hold.</p> <p>If the payee is not required to be registered in CCR, the payment is processed and a payment schedule is generated.</p>	The payee is a person, corporation, or other public or private entity that is authorized to receive a payment from a federal agency.	PMC-06
PM 3.4.1.4	Hold Payment	The payment is put on hold.	<p>Payments placed on hold must be handled in accordance with Prompt Payment Act requirements.</p> <p>The payee is notified of the payment being placed on hold.</p>	
PM 3.4.1.5	Route Message to Business Unit	The system routes a message to the applicable Business Unit personnel that the payment has been put on hold.	Business Unit personnel shall be designated for notification of held payments.	TLE-07
PM 3.4.1.6	Schedule is Generated	<p>A payment schedule is generated.</p> <p>The Certifying Officer then generates and reviews, as applicable, an SPS 1166 Voucher and Schedule of Payments report. (Depending on the agency, this action may be automated.)</p>	<p>The payment schedule shall be generated to include applicable attributes required by the TFM and agency guidelines.</p> <p>The agency must comply with the Prompt Payment Act.</p> <p>Agencies must follow the applicable SPS user guide, Treasury Green Book, and current TFM guidance.</p> <p>The Certifying Officer must verify the TAS-BETC.</p> <p>Agencies may include up to 60 payment records per</p>	PMD-02 PMD-07 PMD-08 PMD-10 PMD-11 PMD-20 PMD-22 PMD-23 PMD-24 PMD-25 PMD-26 PMD-27 PMD-28 PMD-34 PMD-35 PMD-36

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>schedule.</p> <p>The agency must capture TAS information on payment records, up to 10 per schedule for a Non-Government-wide Accounting (Non-GWA) reporting agency and up to 100 TAS-BETCs for a GWA reporting agency.</p> <p>The schedule must be submitted to Treasury on the day it is generated.</p> <p>The agency must generate payment schedule totals by TAS/BETC for each payment file. In addition, they must combine payment schedules into a single file for transmission to Treasury with a summary total by the ALC and TAS for the entire file for certification purposes.</p>	
PM 3.4.1.7	Disbursements-in-Transit Recorded in General Ledger	Disbursements-in-Transit are recorded in the General Ledger when the schedule is generated.	<p>Agencies record the Disbursements-in-Transit General Ledger entries by the time the payment is certified by a Certifying Officer. If the schedule is not certified, then the Disbursements-in-Transit entry must be reversed.</p> <p>The entries are recorded in the general ledger using the USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction code from the current TFM:</p>	PMD-15

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			TFM-B408 To reclassify payable schedules for disbursements to “in-transit” until the payment schedule is confirmed.	
PM 3.4.1.8	Submit Payment Bulk File to Treasury	The agency transmits an electronic (Bulk) payment file or Disbursing Office Schedule (EFT/ACH or Check) to Treasury. The payment information is reviewed for accuracy by a Certifying Officer or other qualified staff and then submitted to Treasury for pre-edit of the file to determine if the file can be processed.	<p>The agency must comply with the Prompt Payment Act.</p> <p>The agency compares the Disbursing Office Schedules to the supporting financial documents, as applicable, in order to verify the amount and number of payments.</p> <p>The file must be submitted to Treasury on the day it is generated.</p> <p>The check and EFT payment files must be exported in the current Treasury FMS defined formats.</p>	PMD-20
PM 3.4.1.9	Submitted Payment File	The electronic payment submission is received by Treasury and subjected to pre-edit procedures.	Agencies shall format payment files to comply with current Treasury data attributes and requirements.	
PM 3.4.1.10	Perform Edit Checks	Edit checks are applied to the payment file.	<p>Agencies shall format payment files to comply with current Treasury data attributes and requirements.</p> <p>Treasury will not process a file that does not pass edit checks. The agency will need to generate and transmit a new payment file for Treasury to process.</p>	
PM 3.4.1.11	Treasury Sends Acknowledgement	Treasury performs a review and pre-edit of the bulk payment file submitted by the agency. If the file is accepted for processing, Treasury		

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		generates a file control number that is sent as part of the acknowledgement to the agency.		
PM 3.4.1.12	Receipt of Acknowledgement	Notification is received by the agency from Treasury acknowledging that the file can be processed by Treasury. A control number is assigned to the bulk payment file by Treasury.	<p>The agency includes the control number in their submission of the corresponding SPS 1166 schedule voucher.</p> <p>If the agency does not receive acknowledgment that the bulk payment file has been accepted for processing, it must follow up with Treasury in order to identify and resolve any potential issue.</p>	
PM 3.4.1.13	Positive Acknowledgement?	If positive acknowledgement is received, the agency Certifies Payment. If positive acknowledgement is not received, issue(s) must be identified and resolved or the payment schedule is canceled.	<p>The agency will implement procedures for timely determination of positive versus negative acknowledgement.</p> <p>The process of certification is as follows: Upon receipt of the system acknowledgement from Treasury, the agency Data Entry Operator (DEO) accesses SPS and completes the SPS 1166 with the following:</p> <ul style="list-style-type: none"> <li>• Total amount of the file</li> <li>• Total number of payment records</li> <li>• ALC</li> <li>• Appropriation number (TAS-BETC)</li> <li>• Payment date</li> <li>• Payment schedule number(s),</li> </ul>	



Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<ul style="list-style-type: none"> <li>Bulk file control number.</li> </ul> <p>Depending on the agency, this process may be automated, whereby the agency DEO uploads into SPS the SPS SF 1166 certification controls totals from the agency's Core Financial System.</p>	
PM 3.4.1.14	Agency Certifies Payment?	The agency determines whether to certify the payment file.	<p>The agency must comply with Title 31 U.S.C. 3528 for responsibilities of a Certifying Officer.</p> <p>After the DEO enters the SPS 1166 data in SPS, the agency Certifying Officer reviews the entries and then certifies the schedule or schedules of payments in SPS.</p>	
PM 3.4.1.15	Cancel Schedule	If positive acknowledgement is not received and any applicable issues cannot be resolved on a timely basis, the payment schedule is canceled.	<p>An agency can inform Treasury within one day to cancel payment of a previously certified payment.</p> <p>The agency shall institute and follow procedures for canceling payments in accordance with applicable SPS user guide and current TFM guidance.</p>	
PM 3.4.1.16	Reversal of Entries	<p>Once a payment schedule is canceled, the Disbursement-in-Transit General Ledger entries are reversed in the Core Financial System.</p> <p>If positive acknowledgement is not received, the schedule is canceled and the Disbursement-in-Transit General Ledger entries are</p>	<p>Agencies recorded the Disbursements-in-Transit General Ledger entries at the time the payment was certified by a Certifying Officer. If the schedule is not certified, then the Disbursements-in-Transit entry must be reversed.</p> <p>The entries are recorded in</p>	PMD-15 PMD-55

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		reversed. Similarly, if the agency declines to certify payment, the entries are reversed in the Core Financial System.	<p>the general ledger using the USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction code from the current TFM:</p> <p>TFM-B408 To reclassify payable schedules for disbursements to “in-transit” until the payment schedule is confirmed.</p>	
PM 3.4.1.17	Certified Payment	The Certified SPS 1166 summary schedule is verified against its corresponding Bulk payment file.	Payment summary schedules are imported or entered in SPS by a DEO and certified in SPS by a Certifying Officer.	
PM 3.4.1.18	Is Bulk Payment File Accepted?	Bulk payment files that do not match corresponding SPS 1166s will be rejected by Treasury.		
PM 3.4.1.19	Resolve Issue	Finance performs applicable actions to resolve the issue.		
PM 3.4.1.20	Verification of Certification	Treasury receives the certified payment file from the agency and verifies the SPS 1166 certification against the bulk payment files.	<p>The agency must comply with Title 31, U.S.C. 3327.</p> <p>The SPS system automatically verifies the Certifying Officer and the ALC prior to the time of certification. If the Certifying Officer and the ALC are not properly linked, the Certifying Officer cannot certify the payment schedule.</p>	
PM 3.4.1.21	Bulk File Matches SPS 1166?	Treasury compares key totals for the Bulk File to the SPS 1166.	Treasury verifies integrity of certified payment information for completed matches between the payment amount, schedule number(s), and item count. If the payment file and SPS	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			1166 do not match, then the file and certification are rejected and the General Ledger entries are reversed in the agency's Core Financial System.	
PM 3.4.1.22	Release Payment	If the certified payment information in the payment (Check or EFT/ACH) and the bulk file match, then the payments are released for disbursement.	Once the payment process is completed, Treasury records confirmation of disbursement for agency access.	
PM 3.4.1.23	Offset	<p>After receipt, acceptance and issuing payment numbers, but prior to releasing the payment to the payee, the payment file is sent through the Treasury Offset Program.</p> <p>If a debt is owed by the payee, the payment due is offset and, if applicable, any residual amount is sent to the payee. If no debt is owed, the payment is made in full.</p>	The agency must follow Treasury guidance and applicable procedures for the Treasury Offset programs (PL 104-134-APR 26, 1996, 31 CFR 285, 900-904, 5 CFR 550).	
PM 3.4.1.24	Payee Receives Payment	EFTs are sent to the appropriate Federal Reserve Bank (FRB). Checks are mailed through the Postal Service to the payee.	<p>Fund transfers are sent to the appropriate FRB.</p> <p>Under best business practices, EFT is the preferred method of payment.</p>	
PM 3.4.1.25	Agency Records the Confirmation	Electronic confirmation is made available to the agency from Treasury. Information provided includes acknowledgement of the disbursement of the certified payment schedule, schedule number and check/trace number.	<p>Treasury makes available to the agency through the Government-wide Accounting (GWA) Treasury Disbursing Office (TDO) Support Listings an electronic confirmation of disbursement of the certified payment schedule.</p> <p>The agency receives this confirmation, which triggers changing the status of the Disbursements-in-Transit to</p>	

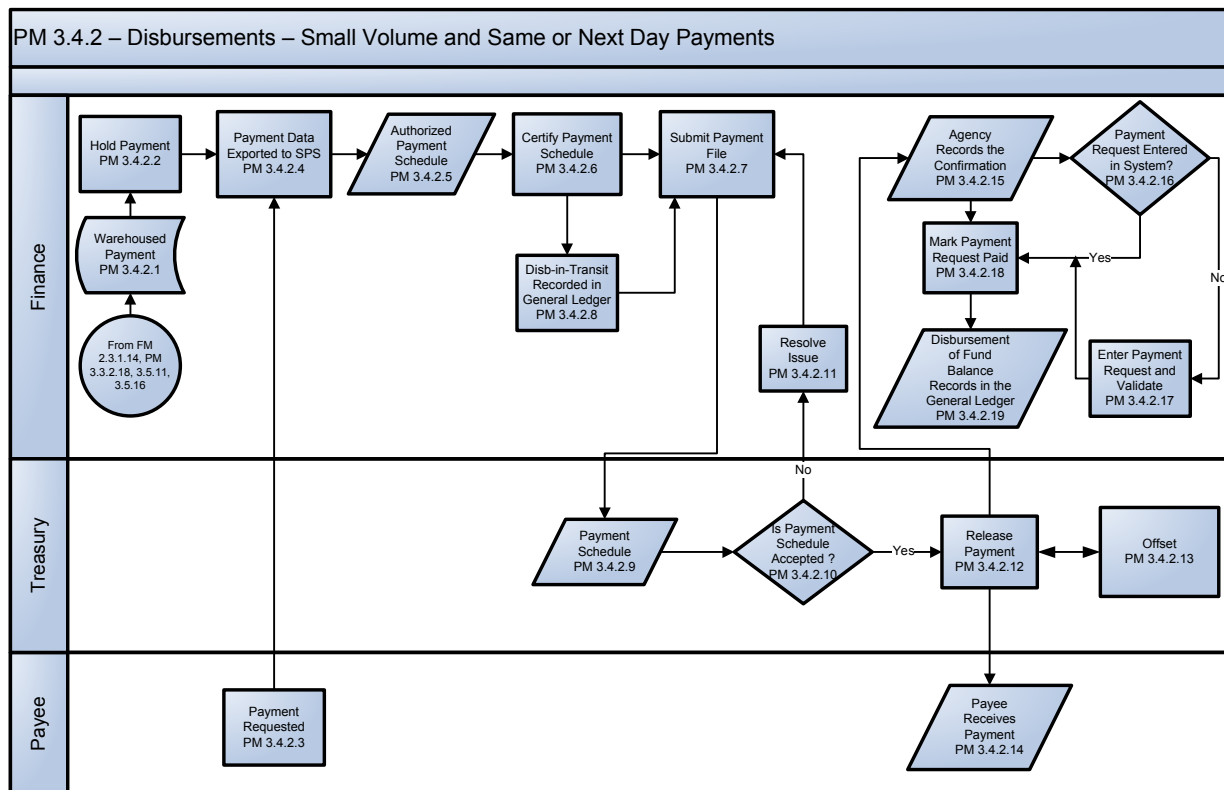
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>a Disbursement in the General Ledger.</p> <p>The agency should record the schedule number and check/trace number received from Treasury.</p>	
PM 3.4.1.26	Mark Payment Request Paid	General Ledger impact is recorded based on system-generated disbursement confirmation.	The agency marks the payment request and/or line items paid in the Core Financial System, which occurs simultaneously with the Disbursement of “Fund Balance Records in to General Ledger” step PM 3.4.1.27.	
PM 3.4.1.27	Disbursement of Fund Balance Records in General Ledger	Once disbursed, the Paid Disbursement Voucher supports updating of the General Ledger and the Fund Balance with Treasury (FBWT).	<p>The entries are recorded in the general ledger using the USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction code from the current TFM:</p> <p>TFM-B110 To record a confirmed disbursement schedule.</p>	PMD-39

## 3.4.2 DISBURSEMENTS FOR SMALL VOLUME AND SAME OR NEXT DAY PAYMENTS

Same or next day payments are expedited in order to be disbursed more quickly than those included in bulk files submitted by agencies for disbursement. Agencies would typically expedite disbursements for these types of payments more quickly than bulk file payments in the case of emergencies. Under these circumstances the originating agency must have the funds deposited in the payee's account on the same date as the certification of the payment. These types of small volume or same/next day payments are typically processed through Fedwire and are notable for high dollar low volume payments.

The following flowchart provides the steps relating to the submission of a small volume payments file, same or next day payments to Treasury, certification of payment, release of payment and the confirmation of disbursement.

### ***PM 3.4.2 - Small Volume and Same or Next Day Payments Flowchart***



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Disbursements – Small Volume and Same or Next Day Payments process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.4.2.1	Warehoused Payment	Upon certification of payments, the payment is warehoused awaiting scheduled payment in accordance with contract terms. These payments are queued based on due date for compliance with the Prompt Payment Act. A Preliminary Payment Register and Batch Report are run and the data is reviewed by the certifying official to ensure the information is accurate and complete.	The agency must comply with the Prompt Payment Act.	
PM 3.4.2.2	Hold Payment	Warehoused small volume same or next day payments are placed on hold.	Warehoused payments that are going to use the small volume or next day payment process should be placed on hold in the system to keep them from being selected in the automated payment process to prevent duplicate payment.	
PM 3.4.2.3	Payment Requested	The payee requests the agency to make a payment that is not already a warehoused payment.	<p>Internal control steps should be in place to supplement automated controls when manual processing of payment schedules is performed.</p> <p>The Certifying Officer must verify the TAS-BETC of the scheduled payment as applicable.</p> <p>Treasury requires that payments submitted for Same Day Payment Request (SDPR) include TINs. When the SDPR is submitted, Treasury will validate the TIN against the</p>	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>debtor database. If it is determined that the TIN has debt to the Federal government, the agency is informed that the payee has been identified as having a “federal debt”.</p> <p>Agencies have the option to change the payment to next day ACH, check payment or submit the payment for SDPR.</p>	
PM 3.4.2.4	Payment Data Exported to SPS	<p>The DEO exports the payment data to SPS, through a small volume upload process.</p> <p>Alternatively, the payment data may be manually entered into SPS.</p> <p>The payment data is imported or entered and processed in the Treasury SPS system.</p>	<p>The agency must comply with the Prompt Payment Act.</p> <p>Agencies must follow the applicable SPS user guide, and current TFM guidance.</p> <p>Agencies may include up to 60 payment records per schedule.</p> <p>The agency must capture TAS information on payment records, up to 10 per schedule for a Non-Government-wide Accounting (Non-GWA) reporting agency and up to 100 TAS-BETCs for a GWA reporting agency.</p> <p>The SPS 1166 schedule must contain the following:</p> <ul style="list-style-type: none"> <li>• Total amount of the schedule</li> <li>• Total number of payment records</li> <li>• ALC</li> </ul>	PMD-31

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<ul style="list-style-type: none"> <li>• Appropriation number (TAS-BETC)</li> <li>• Payment date,</li> <li>• Payment schedule number.</li> </ul>	
PM 3.4.2.5	Authorized Payment Schedule	A document is generated to support the entry into SPS for the payment. This document will be used to record the Disbursements-in-Transit entries into the system.		
PM 3.4.2.6	Certify Payment Schedule	<p>The agency DEO accesses SPS and imports payment records or enters the payment records online into the Treasury Type A SPS 1166 schedule voucher function.</p> <p>The payment schedule is imported or entered and processed in the Treasury SPS system.</p>	<p>The agency will comply with Title 31 U.S.C. 3528.</p> <p>The Certifying Officer must verify the TAS-BETC.</p> <p>The CO verifies the entries and then certifies the schedule(s), for submission to SPS.</p>	
PM 3.4.2.7	Submit Payment File	Once the Certifying Officer certifies the schedule, it is automatically transmitted to Treasury.	<p>Agencies must follow applicable SPS user guide and TFM guidance.</p> <p>Payment summary schedules are imported in SPS by a DEO and certified in SPS by a Certifying Officer.</p>	
PM 3.4.2.8	Disbursements-in-Transit Recorded in General Ledger	Disbursements-in-Transit is recorded in the General Ledger when the schedule is generated.	<p>Agencies record the Disbursements-in-Transit General Ledger entries by the time the payment is certified by a Certifying Officer. If the schedule is not certified, then the Disbursements-in-Transit entry must be reversed.</p> <p>The entries are recorded in the general ledger using the</p>	PMD-15



Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>USSGL Account Transaction Listing provided in the current TFM.</p> <p>Examples include, but are not limited to, the following transaction code from the current TFM:</p> <p>TFM-B408 To reclassify payable schedules for disbursements to “in-transit” until the payment schedule is confirmed.</p>	
PM 3.4.2.9	Payment Schedule	The transmitted file that is sent to Treasury contains the information needed for issuing the payment.	An agency can inform Treasury within one day to cancel payment of a previously certified payment.	
PM 3.4.2.10	Is Payment Schedule Accepted?	The certified SPS 1166 summary schedule is verified against its corresponding Bulk payment file. Bulk payment files that do not match corresponding SPS 1166s will be rejected by FMS.		
PM 3.4.2.11	Resolve Issue	Finance performs applicable actions to resolve the issue.		
PM 3.4.2.12	Release Payment	<p>The transmitted file (payment schedule) is edited for accuracy and the payment is issued.</p> <p>If the agency has used a duplicate schedule number and ALC, or the ALC and CO are not linked and active in SPS, then the schedule will be rejected. The summary total for amounts and items must also be accurate.</p>	<p>The agency must schedule and disburse U.S. dollar payments (Treasury SPS 1166) through the Treasury’s SPS, containing up to the limit of 60 payments per schedule.</p> <p>Agencies will comply with Title 31, Chapter 33, Subchapter II (a), U.S.C. 3325.</p> <p>The SPS system automatically verifies the</p>	PMD-30

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			Certifying Officer and ALC prior to the time of certification. If the Certifying Officer and ALC are not properly linked, the Certifying Officer will only be able to view the payment schedule and will be unable to certify it.	
PM 3.4.2.13	Offset	<p>After receipt, acceptance and issuing payment numbers, but prior to releasing the payment to the payee, the payment file is sent through the Treasury Offset Program.</p> <p>If a debt is owed by the payee, the payment due is offset and, if applicable, any residual amount is sent to the payee. If no debt is owed, the payment is made in full.</p>	The agency must follow Treasury guidance and applicable procedures for the Treasury Offset programs (PL 104-134-APR 26, 1996, 31 CFR 285, 900-904, 5 CFR 550).	
PM 3.4.2.14	Payee Receives Payment	EFTs are sent to the appropriate Federal Reserve Bank (FRB). Checks are mailed through the Postal Service to the payee.	<p>Funds transfers are sent to the appropriate FRB.</p> <p>Under best business practices, EFT is the preferred method of payment.</p>	
PM 3.4.2.15	Agency Records the Confirmation	Electronic confirmation is made available to the agency from Treasury. Information provided includes acknowledgement of the disbursement of the certified payment schedule, schedule number, and check/trace number.	<p>The agency receives this confirmation, which triggers changing the status of the Disbursements-in-Transit to a disbursement in the General Ledger.</p> <p>Treasury makes available to the agency, through the Government-wide Accounting (GWA) Treasury Disbursing Office (TDO) Support Listings, an electronic confirmation of disbursement of the certified payment schedule.</p>	

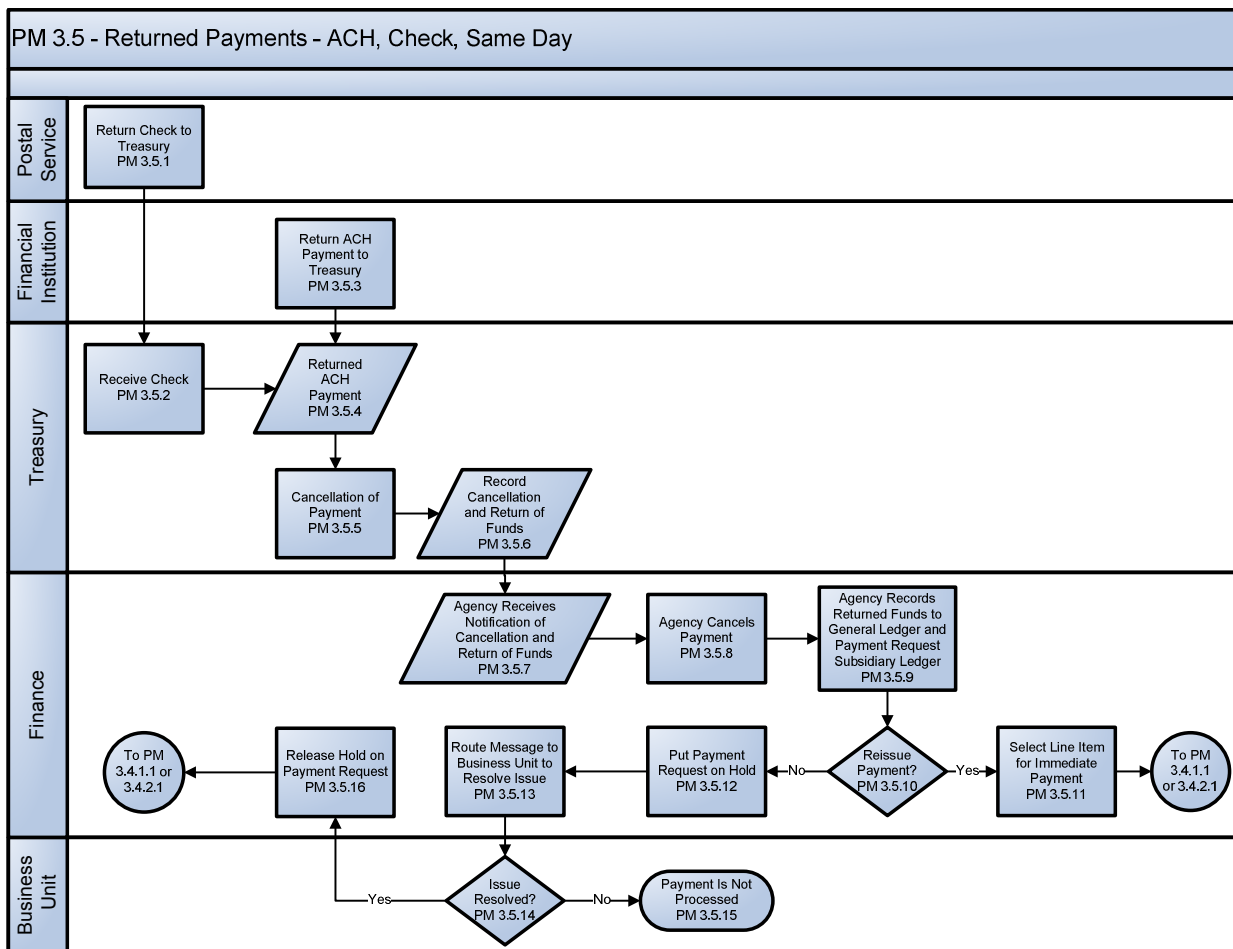
Step ID	Step Name	Step Description	Business Rules	CFSR Req.
			<p>The agency receives this confirmation, which triggers changing the status of the Disbursements-in-Transit to a disbursement in the General Ledger.</p> <p>The agency should record the schedule number and check/trace number received from Treasury.</p>	
PM 3.4.2.16	Payment Request Entered in System?	The agency determines whether the payment request results from a warehoused payment that had been previously entered into the Core Financial System.		
PM 3.4.2.17	Enter Payment Request and Validate	A payment request is entered in the system by Finance and validated against the payment schedule to record the information related to the payment request for items that did not come through the standard payment request process.	<p>The Finance official makes sure the payment is not a duplicate request.</p> <p>Under best business practices, payment requests should be submitted electronically.</p> <p>If the payment request has not been entered into the system, the payment request will be entered and manually approved for payment and marked as paid.</p>	
PM 3.4.2.18	Mark Payment Request Paid	General Ledger impact is recorded based on system-generated disbursement confirmation.	The agency marks the payment request and/or line items paid in the Core Financial System, which occurs simultaneously with the Disbursement of Fund Balance Records in General Ledger in step PM 3.4.2.19.	
PM 3.4.2.19	Disbursement of Fund Balance Records in the	Once disbursed, the voucher supports updating of the General Ledger and the Fund	The entries are recorded using the USSGL Account Transaction Listing	PMD-39

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
	General Ledger	Balance with Treasury (FBWT).	<p>provided in the current TFM for the payment of advances and pre-paid expenses, as applicable.</p> <p>Examples include, but are not limited to, the following transaction code from the current TFM:</p> <p>TFM-B110 To record a confirmed disbursement schedule.</p>	

## 3.5 RETURNED PAYMENTS – ACH, CHECK, SAME DAY

Use of EFT represents the best practice for making governmental payments. Payments can be returned to the Treasury due to issues such as lack of a correct address, death of the payee, or an invalid ACH account. This section presents key steps for the cancellation and return of payments from Treasury to the agency. All returned and canceled payments include: checks, ACH, CTX, CCD, CCD+ and Fedwire.

### ***PM 3.5 Returned Payments - ACH, Check, Same Day Flowchart***



See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart

The Payment Management Returned Payments process steps are described as follows:

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
PM 3.5.1	Return Check to Treasury	<p>A check payment is returned to Treasury by the U.S. Postal Service when there is an incorrect or incomplete address, or death of the payee.</p> <p>Check payments may also be withheld from being mailed at the request of the agency authorizing the payments.</p>	Agencies must follow applicable TFM guidance.	
PM 3.5.2	Receive Check Payment	Treasury receives the check payment.		
PM 3.5.3	Return ACH Payment to Treasury	<p>Payments processed through the Government Automated Clearing House (ACH), which include CTX, CCD, CCD+ and Fedwire, are returned when payments cannot be recorded to a valid account.</p> <p>ACH payments may be withheld by Treasury from submission to the applicable Financial Institution at the request of the agency authorizing the payments.</p>	Financial Institutions, agencies, and the vendor/payee must follow applicable 31 CFR Part 210, Federal Participation in ACH guidance.	
PM 3.5.4	Returned ACH Payment	Treasury receives the returned ACH Payment.		
PM 3.5.5	Cancellation of Payment	ACH and Check Payments are immediately canceled upon receipt by Treasury.		PMD-55
PM 3.5.6	Record Cancellation and Return of Funds	Payment cancellation and the return of funds are recorded by Treasury to the agency's account.		
PM 3.5.7	Agency Receives Notification of	Electronic confirmation is made available to the agency from Treasury acknowledging payment	Agencies shall institute and follow procedures for confirming payment cancellations and return of funds.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
	Cancellation and Return of Funds	cancellation and return of funds.		
PM 3.5.8	Agency Cancels Payment	The agency cancels the payment in the Core Financial System.		
PM 3.5.9	Agency Records Returned Funds to General Ledger and Payment Request Subsidiary Ledger	A transaction is recorded to the General Ledger and payment request subsidiary ledger to reflect the applicable funds returned by Treasury.	The entries are recorded to the General Ledger using the USSGL Account Transaction Listing provided in the TFM. The applicable entry is recorded based on the entry originally made to record the payment balance.	PMD-55
PM 3.5.10	Reissue Payment?	Finance will determine if the payment can be reissued.	Determinations must be made within guidelines and requirements of applicable laws and regulations, including the Prompt Pay Act and FAR.	
PM 3.5.11	Select Line Item for Immediate Payment	If the payment can be reissued, specific line items to be paid are identified.		
PM 3.5.12	Put Payment Request on Hold	If the payment cannot be reissued, the payment request is put on hold.	Putting a payment request on hold must be done in accordance with applicable laws and regulations, rules, and agency guidelines (e.g., FAR, agency policies and procedures), including the Prompt Payment Act.	
PM 3.5.13	Route Message to Business Unit to Resolve Issue	A message is routed to the Business Unit of the issue and the final disposition of the payment is determined.	The Core Financial System should automatically identify and route a message to applicable personnel of open issues related to payment requests.  Applicable personnel must take appropriate actions within Prompt Payment Act requirements.	
PM 3.5.14	Issue Resolved?	The Business Unit performs the necessary actions to resolve the payment issue and, as applicable, provides	The agency shall comply with the Prompt Payment Act, SPS user guide, and current TFM guidance.	

Step ID	Step Name	Step Description	Business Rules	CFSR Req.
		the information required to resubmit the payment request.		
PM 3.5.15	Payment Is Not Processed	If the issue is not resolved, the payment is not processed.		
PM 3.5.16	Release Hold on Payment Request	If the issue is resolved, the hold on the payment request is released.	The agency must calculate the due date of payee payments in accordance with 5 CFR 1315 (OMB Circular A-125, Prompt Payment) key factors (e.g., commodity type, contract terms, invoice receipt date).	PMD-01



## 3.6 DATA OBJECTS AND DATA ELEMENTS

**THIS SECTION IS CURRENTLY UNDER DEVELOPMENT WITH  
TREASURY FMS**

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